

HB 1450 - S AMD

By Senators Kilmer, Prentice, Weinstein

ADOPTED 04/12/2007

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 84.36.560 and 2001 1st sp.s. c 7 s 1 are each amended
4 to read as follows:

5 (1) The real and personal property owned or used by a nonprofit
6 entity in providing rental housing for very low-income households or
7 used to provide space for the placement of a mobile home for a very
8 low-income household within a mobile home park is exempt from taxation
9 if:

10 (a) The benefit of the exemption inures to the nonprofit entity;

11 (b) At least seventy-five percent of the occupied dwelling units in
12 the rental housing or lots in a mobile home park are occupied by a very
13 low-income household; and

14 (c) The rental housing or lots in a mobile home park were insured,
15 financed, or assisted in whole or in part through one or more of the
16 following sources:

17 (i) A federal or state housing program administered by the
18 department of community, trade, and economic development; ~~((or))~~

19 (ii) A federal housing program administered by a city or county
20 government;

21 (iii) An affordable housing levy authorized under RCW 84.52.105; or

22 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
23 any of the surcharges authorized in chapter 43.185C RCW.

24 (2) If less than seventy-five percent of the occupied dwelling
25 units within the rental housing or lots in the mobile home park are
26 occupied by very low-income households, the rental housing or mobile
27 home park is eligible for a partial exemption on the real property and
28 a total exemption of the housing's or park's personal property as
29 follows:

1 (a) A partial exemption shall be allowed for each dwelling unit in
2 the rental housing or for each lot in a mobile home park occupied by a
3 very low-income household.

4 (b) The amount of exemption shall be calculated by multiplying the
5 assessed value of the property reasonably necessary to provide the
6 rental housing or to operate the mobile home park by a fraction. The
7 numerator of the fraction is the number of dwelling units or lots
8 occupied by very low-income households as of December 31st of the first
9 assessment year in which the rental housing or mobile home park becomes
10 operational or on January 1st of each subsequent assessment year for
11 which the exemption is claimed. The denominator of the fraction is the
12 total number of dwelling units or lots occupied as of December 31st of
13 the first assessment year the rental housing or mobile home park
14 becomes operational and January 1st of each subsequent assessment year
15 for which exemption is claimed.

16 (3) If a currently exempt rental housing unit in a facility with
17 ten units or fewer or mobile home lot in a mobile home park with ten
18 lots or fewer was occupied by a very low-income household at the time
19 the exemption was granted and the income of the household subsequently
20 rises above fifty percent of the median income but remains at or below
21 eighty percent of the median income, the exemption will continue as
22 long as the housing continues to meet the certification requirements of
23 a very low-income housing program (~~administered by the department of~~
24 ~~community, trade, and economic development or the affordable housing~~
25 ~~levy under RCW 84.52.105~~) listed in subsection (1) of this section.
26 For purposes of this section, median income, as most recently
27 determined by the federal department of housing and urban development
28 for the county in which the rental housing or mobile home park is
29 located, shall be adjusted for family size. However, if a dwelling
30 unit or a lot becomes vacant and is subsequently rerented, the income
31 of the new household must be at or below fifty percent of the median
32 income adjusted for family size as most recently determined by the
33 federal department of housing and urban development for the county in
34 which the rental housing or mobile home park is located to remain
35 exempt from property tax.

36 (4) If at the time of initial application the property is
37 unoccupied, or subsequent to the initial application the property is
38 unoccupied because of renovations, and the property is not currently

1 being used for the exempt purpose authorized by this section but will
2 be used for the exempt purpose within two assessment years, the
3 property shall be eligible for a property tax exemption for the
4 assessment year in which the claim for exemption is submitted under the
5 following conditions:

6 (a) A commitment for financing to acquire, construct, renovate, or
7 otherwise convert the property to provide housing for very low-income
8 households has been obtained, in whole or in part, by the nonprofit
9 entity claiming the exemption from(

10 ~~(i) A federal or state housing program administered by the~~
11 ~~department of community, trade, and economic development; or~~

12 ~~(ii) An affordable housing levy authorized under RCW 84.52.105))~~
13 one or more of the sources listed in subsection (1)(c) of this section;

14 (b) The nonprofit entity has manifested its intent in writing to
15 construct, remodel, or otherwise convert the property to housing for
16 very low-income households; and

17 (c) Only the portion of property that will be used to provide
18 housing or lots for very low-income households shall be exempt under
19 this section.

20 (5) To be exempt under this section, the property must be used
21 exclusively for the purposes for which the exemption is granted, except
22 as provided in RCW 84.36.805.

23 (6) The nonprofit entity qualifying for a property tax exemption
24 under this section may agree to make payments to the city, county, or
25 other political subdivision for improvements, services, and facilities
26 furnished by the city, county, or political subdivision for the benefit
27 of the rental housing. However, these payments shall not exceed the
28 amount last levied as the annual tax of the city, county, or political
29 subdivision upon the property prior to exemption.

30 (7) As used in this section:

31 (a) "Group home" means a single-family dwelling financed, in whole
32 or in part, by ~~((the department of community, trade, and economic~~
33 ~~development or by an affordable housing levy under RCW 84.52.105))~~ one
34 or more of the sources listed in subsection (1)(c) of this section.
35 The residents of a group home shall not be considered to jointly
36 constitute a household, but each resident shall be considered to be a
37 separate household occupying a separate dwelling unit. The individual

1 incomes of the residents shall not be aggregated for purposes of this
2 exemption;

3 (b) "Mobile home lot" or "mobile home park" means the same as these
4 terms are defined in RCW 59.20.030;

5 (c) "Occupied dwelling unit" means a living unit that is occupied
6 by an individual or household as of December 31st of the first
7 assessment year the rental housing becomes operational or is occupied
8 by an individual or household on January 1st of each subsequent
9 assessment year in which the claim for exemption is submitted. If the
10 housing facility is comprised of three or fewer dwelling units and
11 there are any unoccupied units on January 1st, the department shall
12 base the amount of the exemption upon the number of occupied dwelling
13 units as of December 31st of the first assessment year the rental
14 housing becomes operational and on May 1st of each subsequent
15 assessment year in which the claim for exemption is submitted;

16 (d) "Rental housing" means a residential housing facility or group
17 home that is occupied but not owned by very low-income households;

18 (e) "Very low-income household" means a single person, family, or
19 unrelated persons living together whose income is at or below fifty
20 percent of the median income adjusted for family size as most recently
21 determined by the federal department of housing and urban development
22 for the county in which the rental housing is located and in effect as
23 of January 1st of the year the application for exemption is submitted;
24 and

25 (f) "Nonprofit entity" means a:

26 (i) Nonprofit as defined in RCW 84.36.800 that is exempt from
27 income tax under section 501(c) of the federal internal revenue code;

28 (ii) Limited partnership where a nonprofit as defined in RCW
29 84.36.800 that is exempt from income tax under section 501(c) of the
30 federal internal revenue code, a public corporation established under
31 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created
32 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
33 definition in RCW 35.82.210(2)(a) is a general partner; or

34 (iii) Limited liability company where a nonprofit as defined in RCW
35 84.36.800 that is exempt from income tax under section 501(c) of the
36 federal internal revenue code, a public corporation established under
37 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established

1 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
2 definition in RCW 35.82.210(2)(a) is a managing member.

3 **Sec. 2.** RCW 84.40.030 and 2001 c 187 s 17 are each amended to read
4 as follows:

5 All property shall be valued at one hundred percent of its true and
6 fair value in money and assessed on the same basis unless specifically
7 provided otherwise by law.

8 Taxable leasehold estates shall be valued at such price as they
9 would bring at a fair, voluntary sale for cash without any deductions
10 for any indebtedness owed including rentals to be paid.

11 The true and fair value of real property for taxation purposes
12 (including property upon which there is a coal or other mine, or stone
13 or other quarry) shall be based upon the following criteria:

14 (1) Any sales of the property being appraised or similar properties
15 with respect to sales made within the past five years. The appraisal
16 shall be consistent with the comprehensive land use plan, development
17 regulations under chapter 36.70A RCW, zoning, and any other
18 governmental policies or practices in effect at the time of appraisal
19 that affect the use of property, as well as physical and environmental
20 influences. An assessment may not be determined by a method that
21 assumes a land usage or highest and best use not permitted, for that
22 property being appraised, under existing zoning or land use planning
23 ordinances or statutes or other government restrictions. The appraisal
24 shall also take into account: (a) In the use of sales by real estate
25 contract as similar sales, the extent, if any, to which the stated
26 selling price has been increased by reason of the down payment,
27 interest rate, or other financing terms; and (b) the extent to which
28 the sale of a similar property actually represents the general
29 effective market demand for property of such type, in the geographical
30 area in which such property is located. Sales involving deed releases
31 or similar seller-developer financing arrangements shall not be used as
32 sales of similar property.

33 (2) In addition to sales as defined in subsection (1) of this
34 section, consideration may be given to cost, cost less depreciation,
35 reconstruction cost less depreciation, or capitalization of income that
36 would be derived from prudent use of the property, as limited by law or
37 ordinance. Consideration should be given to any agreement, between an

1 owner of rental housing and any government agency, that restricts
2 rental income, appreciation, and liquidity; and to the impact of
3 government restrictions on operating expenses and on ownership rights
4 in general of such housing. In the case of property of a complex
5 nature, or being used under terms of a franchise from a public agency,
6 or operating as a public utility, or property not having a record of
7 sale within five years and not having a significant number of sales of
8 similar property in the general area, the provisions of this subsection
9 shall be the dominant factors in valuation. When provisions of this
10 subsection are relied upon for establishing values the property owner
11 shall be advised upon request of the factors used in arriving at such
12 value.

13 (3) In valuing any tract or parcel of real property, the true and
14 fair value of the land, exclusive of structures thereon shall be
15 determined; also the true and fair value of structures thereon, but the
16 valuation shall not exceed the true and fair value of the total
17 property as it exists. In valuing agricultural land, growing crops
18 shall be excluded."

HB 1450 - S AMD

By Senators Kilmer, Prentice, Weinstein

ADOPTED 04/12/2007

19 On page 1, line 2 of the title, after "taxation;" strike the
20 remainder of the title and insert "and amending RCW 84.36.560 and
21 84.40.030."

EFFECT: The amendment adds section 1 of Substitute House Bill
2059 to the underlying bill.

A property tax assessment may not consider a highest and best use
for a property that is not permitted for that property under existing
zoning or land use planning ordinances or statutes or other government
restrictions.

For property assessments, consideration should be given to any agreement with a government agency that restricts rental income, appreciation, and liquidity, and to the impact of government restrictions on operating expenses and on ownership rights.

--- END ---